
HOUSE BILL 2691

State of Washington

59th Legislature

2006 Regular Session

By Representatives Crouse, Fromhold, Conway, Lovick, Bailey, Kenney and Quall; by request of Select Committee on Pension Policy

Read first time 01/12/2006. Referred to Committee on Appropriations.

1 AN ACT Relating to public retirement benefits for justices and
2 judges; amending RCW 41.45.060; adding a new section to chapter 2.14
3 RCW; adding new sections to chapter 41.40 RCW; adding new sections to
4 chapter 41.32 RCW; adding new sections to chapter 41.45 RCW; and
5 providing an effective date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 2.14 RCW
8 to read as follows:

9 Beginning January 1, 2007, through December 31, 2007, any member of
10 the public employees' retirement system eligible to participate in the
11 judicial retirement account plan under this chapter may make a one-time
12 irrevocable election, filed in writing with the member's employer, the
13 department of retirement systems, and the administrative office of the
14 courts, to discontinue future contributions to the judicial retirement
15 account plan in lieu of prospective contribution and benefit provisions
16 under this act.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.40 RCW
18 to read as follows:

1 (1) Beginning January 1, 2007, any newly elected or appointed
2 supreme court justice, court of appeals judge, or superior court judge
3 shall not participate in the judicial retirement account plan under
4 chapter 2.14 RCW and shall be subject to the benefit and contribution
5 provisions under this act.

6 (2) Beginning January 1, 2007, any newly elected or appointed
7 supreme court justice, court of appeals judge, or superior court judge,
8 who has not previously established membership in this system, shall
9 become a member of plan 2 and shall be subject to the benefit and
10 contribution provisions under this act.

11 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.32 RCW
12 to read as follows:

13 Beginning January 1, 2007, any newly elected or appointed supreme
14 court justice, court of appeals judge, or superior court judge, who is
15 a member of plan 1, shall not participate in the judicial retirement
16 account plan under chapter 2.14 RCW in lieu of prospective contribution
17 and benefit provisions under this act.

18 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.40 RCW
19 to read as follows:

20 (1) Beginning January 1, 2007, any newly elected or appointed
21 district court judge or municipal court judge, who is not eligible for
22 membership under chapter 41.28 RCW, shall be subject to the benefit and
23 contribution provisions under this act.

24 (2) Beginning January 1, 2007, any newly elected or appointed
25 district court judge, or municipal court judge, who has not previously
26 established membership in this system, and who is not eligible for
27 membership under chapter 41.28 RCW, shall become a member of plan 2 and
28 shall be subject to the benefit and contribution provisions under this
29 act.

30 NEW SECTION. **Sec. 5.** A new section is added to chapter 41.40 RCW
31 to read as follows:

32 (1) Between January 1, 2007, and December 31, 2007, a member of
33 plan 1 or plan 2 employed as a supreme court justice, court of appeals
34 judge, or superior court judge may make a one-time irrevocable
35 election, filed in writing with the member's employer, the department,

1 and the administrative office of the courts, to accrue an additional
2 benefit equal to one and one-half percent of average final compensation
3 for each year of future service credit from the date of the election in
4 lieu of future employee and employer contributions to the judicial
5 retirement account plan under chapter 2.14 RCW.

6 (2)(a) A member who chooses to make the election under subsection
7 (1) of this section may apply to the department to increase the
8 member's benefit multiplier by an additional one and one-half percent
9 per year of service for the period in which the member served as a
10 justice or judge prior to the election. The member shall pay, for the
11 applicable period of service, the actuarially equivalent value of the
12 increase in the member's benefit resulting from the increase in the
13 benefit multiplier as determined by the director. This payment must be
14 made prior to retirement.

15 (b) Subject to rules adopted by the department, a member applying
16 to increase the member's benefit multiplier under this section may pay
17 all or part of the cost with a lump sum payment, eligible rollover,
18 direct rollover, or trustee-to-trustee transfer from an eligible
19 retirement plan. The department shall adopt rules to ensure that all
20 lump sum payments, rollovers, and transfers comply with the
21 requirements of the internal revenue code and regulations adopted by
22 the internal revenue service. The rules adopted by the department may
23 condition the acceptance of a rollover or transfer from another plan on
24 the receipt of information necessary to enable the department to
25 determine the eligibility of any transferred funds for tax-free
26 rollover treatment or other treatment under federal income tax law.

27 NEW SECTION. **Sec. 6.** A new section is added to chapter 41.40 RCW
28 to read as follows:

29 (1) Between January 1, 2007, and December 31, 2007, a member of
30 plan 1 or plan 2 employed as a district court judge or municipal court
31 judge may make a one-time irrevocable election, filed in writing with
32 the member's employer and the department, to accrue an additional
33 benefit equal to one and one-half percent of average final compensation
34 for each year of future service credit from the date of the election.

35 (2)(a) A member who chooses to make the election under subsection
36 (1) of this section may apply to the department to increase the
37 member's benefit multiplier by one and one-half percent per year of

1 service for the period in which the member served as a judge prior to
2 the election. The member shall pay, for the applicable period of
3 service, the actuarially equivalent value of the increase in the
4 member's benefit resulting from the increase in the benefit multiplier
5 as determined by the director. This payment must be made prior to
6 retirement.

7 (b) Subject to rules adopted by the department, a member applying
8 to increase the member's benefit multiplier under this section may pay
9 all or part of the cost with a lump sum payment, eligible rollover,
10 direct rollover, or trustee-to-trustee transfer from an eligible
11 retirement plan. The department shall adopt rules to ensure that all
12 lump sum payments, rollovers, and transfers comply with the
13 requirements of the internal revenue code and regulations adopted by
14 the internal revenue service. The rules adopted by the department may
15 condition the acceptance of a rollover or transfer from another plan on
16 the receipt of information necessary to enable the department to
17 determine the eligibility of any transferred funds for tax-free
18 rollover treatment or other treatment under federal income tax law.

19 NEW SECTION. **Sec. 7.** A new section is added to chapter 41.32 RCW
20 to read as follows:

21 (1) Between January 1, 2007, and December 31, 2007, a member of
22 plan 1 employed as a supreme court justice, court of appeals judge, or
23 superior court judge may make a one-time irrevocable election, filed in
24 writing with the member's employer, the department, and the
25 administrative office of the courts, to accrue an additional benefit
26 equal to one and one-half percent of average final compensation for
27 each year of future service credit from the date of the election.

28 (2)(a) A member who chooses to make the election under subsection
29 (1) of this section may apply to the department to increase the
30 member's benefit multiplier by one and one-half percent per year of
31 service for the period in which the member served as a justice or judge
32 prior to the election. The member shall pay, for the applicable period
33 of service, the actuarially equivalent value of the increase in the
34 member's benefit resulting from the increase in the benefit multiplier
35 as determined by the director. This payment must be made prior to
36 retirement.

1 (b) Subject to rules adopted by the department, a member applying
2 to increase the member's benefit multiplier under this section may pay
3 all or part of the cost with a lump sum payment, eligible rollover,
4 direct rollover, or trustee-to-trustee transfer from an eligible
5 retirement plan. The department shall adopt rules to ensure that all
6 lump sum payments, rollovers, and transfers comply with the
7 requirements of the internal revenue code and regulations adopted by
8 the internal revenue service. The rules adopted by the department may
9 condition the acceptance of a rollover or transfer from another plan on
10 the receipt of information necessary to enable the department to
11 determine the eligibility of any transferred funds for tax-free
12 rollover treatment or other treatment under federal income tax law.

13 NEW SECTION. **Sec. 8.** A new section is added to chapter 41.40 RCW
14 to read as follows:

15 (1) Between January 1, 2007, and December 31, 2007, a member of
16 plan 3 employed as a supreme court justice, court of appeals judge, or
17 superior court judge may make a one-time irrevocable election, filed in
18 writing with the member's employer, the department, and the
19 administrative office of the courts, to accrue an additional plan 3
20 defined benefit equal to six-tenths percent of average final
21 compensation for each year of future service credit from the date of
22 the election in lieu of future employer contributions to the judicial
23 retirement account plan under chapter 2.14 RCW.

24 (2)(a) A member who chooses to make the election under subsection
25 (1) of this section may apply to the department to increase the
26 member's benefit multiplier by six-tenths percent per year of service
27 for the period in which the member served as a justice or judge prior
28 to the election. The member shall pay, for the applicable period of
29 service, the actuarially equivalent value of the increase in the
30 member's benefit resulting from the increase in the benefit multiplier
31 as determined by the director. This payment must be made prior to
32 retirement.

33 (b) Subject to rules adopted by the department, a member applying
34 to increase the member's benefit multiplier under this section may pay
35 all or part of the cost with a lump sum payment, eligible rollover,
36 direct rollover, or trustee-to-trustee transfer from an eligible
37 retirement plan. The department shall adopt rules to ensure that all

1 lump sum payments, rollovers, and transfers comply with the
2 requirements of the internal revenue code and regulations adopted by
3 the internal revenue service. The rules adopted by the department may
4 condition the acceptance of a rollover or transfer from another plan on
5 the receipt of information necessary to enable the department to
6 determine the eligibility of any transferred funds for tax-free
7 rollover treatment or other treatment under federal income tax law.

8 (3) A member who chooses to make the election under subsection (1)
9 of this section shall contribute a minimum of seven and one-half
10 percent of pay to the member's defined contribution account.

11 NEW SECTION. **Sec. 9.** A new section is added to chapter 41.40 RCW
12 to read as follows:

13 (1) Between January 1, 2007, and December 31, 2007, a member of
14 plan 3 employed as a district court judge or municipal court judge may
15 make a one-time irrevocable election, filed in writing with the
16 member's employer and the department, to accrue an additional plan 3
17 defined benefit equal to six-tenths percent of average final
18 compensation for each year of future service credit from the date of
19 the election.

20 (2)(a) A member who chooses to make the election under subsection
21 (1) of this section may apply to the department to increase the
22 member's benefit multiplier by six-tenths percent per year of service
23 for the period in which the member served as a judge prior to the
24 election. The member shall pay, for the applicable period of service,
25 the actuarially equivalent value of the increase in the member's
26 benefit resulting from the increase in the benefit multiplier as
27 determined by the director. This payment must be made prior to
28 retirement.

29 (b) Subject to rules adopted by the department, a member applying
30 to increase the member's benefit multiplier under this section may pay
31 all or part of the cost with a lump sum payment, eligible rollover,
32 direct rollover, or trustee-to-trustee transfer from an eligible
33 retirement plan. The department shall adopt rules to ensure that all
34 lump sum payments, rollovers, and transfers comply with the
35 requirements of the internal revenue code and regulations adopted by
36 the internal revenue service. The rules adopted by the department may
37 condition the acceptance of a rollover or transfer from another plan on

1 the receipt of information necessary to enable the department to
2 determine the eligibility of any transferred funds for tax-free
3 rollover treatment or other treatment under federal income tax law.

4 (3) A member who chooses to make the election under subsection (1)
5 of this section shall contribute a minimum of seven and one-half
6 percent of pay to the member's defined contribution account.

7 NEW SECTION. **Sec. 10.** A new section is added to chapter 41.40 RCW
8 under the subchapter heading "plan 1" to read as follows:

9 (1) In lieu of the retirement allowance provided under RCW
10 41.40.185, the retirement allowance payable for service as a supreme
11 court justice, court of appeals judge, or superior court judge, for a
12 member who elects to participate under section 5(1) of this act, shall
13 be equal to three and one-half percent of average final compensation
14 for each year of service earned after the date of the election. The
15 total retirement benefit accrued or purchased under this act in
16 combination with benefits accrued during periods served prior to the
17 election shall not exceed seventy-five percent of average final
18 compensation.

19 (2) In lieu of the retirement allowance provided under RCW
20 41.40.185, the retirement allowance payable for service as a supreme
21 court justice, court of appeals judge, or superior court judge, for
22 those justices or judges newly elected or appointed after the effective
23 date of this act, shall be equal to three and one-half percent of
24 average final compensation for each year of service after the effective
25 date of this act. The total retirement benefits accrued under this act
26 in combination with benefits accrued during periods served prior to the
27 effective date of this act shall not exceed seventy-five percent of
28 average final compensation.

29 NEW SECTION. **Sec. 11.** A new section is added to chapter 41.32 RCW
30 under the subchapter heading "plan 1" to read as follows:

31 (1) In lieu of the retirement allowance provided under RCW
32 41.32.498, the retirement allowance payable for service as a supreme
33 court justice, court of appeals judge, or superior court judge, for
34 those justices or judges who elected to participate under section 7(1)
35 of this act, shall be equal to three and one-half percent of average
36 final compensation for each year of service earned after the date of

1 the election. The total retirement benefit accrued or purchased under
2 this act in combination with benefits accrued during periods served
3 prior to the election shall not exceed seventy-five percent of average
4 final compensation.

5 (2) In lieu of the retirement allowance provided under RCW
6 41.32.498, the retirement allowance payable for service as a supreme
7 court justice, court of appeals judge, or superior court judge, for
8 those justices or judges newly elected or appointed after the effective
9 date of this act, shall be equal to three and one-half percent of
10 average final compensation for each year of service after the effective
11 date of this act. The total retirement benefits accrued under this act
12 in combination with benefits accrued during periods served prior to the
13 effective date of this act shall not exceed seventy-five percent of
14 average final compensation.

15 NEW SECTION. **Sec. 12.** A new section is added to chapter 41.40 RCW
16 under the subchapter heading "plan 1" to read as follows:

17 (1) In lieu of the retirement allowance provided under RCW
18 41.40.185, the retirement allowance payable for service as a district
19 court judge or municipal court judge, for those judges who elected to
20 participate under section 6(1) of this act, shall be equal to three and
21 one-half percent of average final compensation for each year of service
22 earned after the election. The total retirement benefit accrued or
23 purchased under this act in combination with benefits accrued during
24 periods served prior to the election shall not exceed seventy-five
25 percent of average final compensation.

26 (2) In lieu of the retirement allowance provided under RCW
27 41.40.185, the retirement allowance payable for service as a district
28 court judge, or municipal court judge, for those judges newly elected
29 or appointed after the effective date of this act, and who are not
30 eligible for membership under chapter 41.28 RCW, shall be equal to
31 three and one-half percent of average final compensation for each year
32 of service after the effective date of this act. The total retirement
33 benefits accrued under this act in combination with benefits accrued
34 during periods served prior to the effective date of this act shall not
35 exceed seventy-five percent of average final compensation.

1 NEW SECTION. **Sec. 13.** A new section is added to chapter 41.40 RCW
2 under the subchapter heading "plan 2" to read as follows:

3 (1) In lieu of the retirement allowance provided under RCW
4 41.40.620, the retirement allowance payable for service as a supreme
5 court justice, court of appeals judge, or superior court judge, for
6 those justices or judges who elected to participate under section 5(1)
7 of this act, shall be equal to three and one-half percent of average
8 final compensation for each year of service earned after the election.
9 The total retirement benefit accrued or purchased under this act in
10 combination with benefits accrued during periods served prior to the
11 election shall not exceed seventy-five percent of average final
12 compensation.

13 (2) In lieu of the retirement allowance provided under RCW
14 41.40.620, the retirement allowance payable for service as a supreme
15 court justice, court of appeals judge, or superior court judge, for
16 those justices or judges newly elected or appointed after the effective
17 date of this act, shall be equal to three and one-half percent of
18 average final compensation for each year of service after the effective
19 date of this act. The total retirement benefits accrued under this act
20 in combination with benefits accrued during periods served prior to the
21 effective date of this act shall not exceed seventy-five percent of
22 average final compensation.

23 NEW SECTION. **Sec. 14.** A new section is added to chapter 41.40 RCW
24 under the subchapter heading "plan 2" to read as follows:

25 (1) In lieu of the retirement allowance provided under RCW
26 41.40.620, the retirement allowance payable for service as a district
27 court judge or municipal court judge for those judges who elected to
28 participate under section 6(1) of this act shall be equal to three and
29 one-half percent of the average final compensation for each year of
30 such service earned after the election. The total retirement benefit
31 accrued or purchased under this act in combination with benefits
32 accrued during periods served prior to the election shall not exceed
33 seventy-five percent of average final compensation.

34 (2) In lieu of the retirement allowance provided under RCW
35 41.40.620, the retirement allowance payable for service as a district
36 court judge, or municipal court judge, for those judges newly elected
37 or appointed after the effective date of this act, and who are not

1 eligible for membership under chapter 41.28 RCW, shall be equal to
2 three and one-half percent of average final compensation for each year
3 of service after the effective date of this act. The total retirement
4 benefits accrued under this act in combination with benefits accrued
5 during periods served prior to the effective date of this act shall not
6 exceed seventy-five percent of average final compensation.

7 NEW SECTION. **Sec. 15.** A new section is added to chapter 41.40 RCW
8 under the subchapter heading "plan 3" to read as follows:

9 In lieu of the retirement allowance provided under RCW 41.40.790,
10 the retirement allowance payable for service as a supreme court
11 justice, court of appeals judge, or superior court judge, for those
12 justices or judges who elected to participate under section 8(1) of
13 this act, shall be equal to one and six-tenths percent of average final
14 compensation for each year of service earned after the election. The
15 total retirement benefit accrued or purchased under this act in
16 combination with benefits accrued during periods served prior to the
17 election shall not exceed thirty-seven and one-half percent of average
18 final compensation.

19 NEW SECTION. **Sec. 16.** A new section is added to chapter 41.40 RCW
20 under the subchapter heading "plan 3" to read as follows:

21 In lieu of the retirement allowance provided under RCW 41.40.790,
22 the retirement allowance payable for service as a district court judge
23 or municipal court judge, for those judges who elected to participate
24 under section 9(1) of this act, shall be equal to one and six-tenths
25 percent of average final compensation for each year of service earned
26 after the election. The total retirement benefit accrued or purchased
27 under this act in combination with benefits accrued during periods
28 served prior to the election shall not exceed thirty-seven and one-half
29 percent of average final compensation.

30 NEW SECTION. **Sec. 17.** A new section is added to chapter 41.45 RCW
31 to read as follows:

32 (1) The required employer contribution rate in support of public
33 employees' retirement system members employed as supreme court
34 justices, court of appeals judges, and superior court judges who elect
35 to participate under section 5(1) or 8(1) of this act, or who are newly

1 elected or appointed after the effective date of this act, shall
2 consist of the public employees' retirement system employer
3 contribution rate established under this chapter plus two and one-half
4 percent of pay.

5 (2) The required contribution rate for members of the public
6 employees' retirement system plan 2 employed as supreme court justices,
7 court of appeals judges, and superior court judges who elect to
8 participate under section 5(1) or 8(1) of this act, or who are newly
9 elected or appointed after the effective date of this act, shall be two
10 hundred fifty percent of the member contribution rate for the public
11 employees' retirement system plan 2 established under this chapter less
12 two and one-half percent of pay.

13 (3) The required contribution rate for members of the public
14 employees' retirement system plan 1 employed as supreme court justices,
15 court of appeals judges, and superior court judges who elect to
16 participate under section 5(1) of this act, or who are newly elected or
17 appointed after the effective date of this act, shall be the
18 contribution rate established under RCW 41.40.330 plus three and
19 seventy-six one-hundredths percent of pay.

20 NEW SECTION. **Sec. 18.** A new section is added to chapter 41.45 RCW
21 to read as follows:

22 (1) The required employer contribution rate in support of teachers'
23 retirement system members employed as supreme court justices, court of
24 appeals judges, and superior court judges who elect to participate
25 under section 7(1) of this act, or who are newly elected or appointed
26 after the effective date of this act, shall consist of the following:

- 27 (a) The teachers' retirement system employer contribution rate
28 established under this chapter; plus
- 29 (b) An optional amount that shall not exceed two and one-half
30 percent of pay.

31 (2) The required contribution rate for members of the teachers'
32 retirement system plan 1 employed as supreme court justices, court of
33 appeals judges, and superior court judges who elect to participate
34 under section 7(1) of this act, or who are newly elected or appointed
35 after the effective date of this act, shall be the deductions
36 established under RCW 41.50.235 plus six and twenty-six one-hundredths

1 percent of pay less any optional employer contribution made under
2 subsection (1)(b) of this section.

3 NEW SECTION. **Sec. 19.** A new section is added to chapter 41.45 RCW
4 to read as follows:

5 (1) The required employer contribution rate in support of public
6 employees' retirement system members employed as district court judges
7 and municipal court judges who elect to participate under section 6(1)
8 or 9(1) of this act, or who are newly elected or appointed after the
9 effective date of this act, shall consist of the following:

10 (a) The public employees' retirement system employer contribution
11 rate established under this chapter; plus

12 (b) An optional amount that shall not exceed two and one-half
13 percent of pay.

14 (2) The required contribution rate for members of the public
15 employees' retirement system plan 2 employed as district court judges
16 or municipal court judges who elect to participate under section 6(1)
17 or 9(1) of this act, or who are newly elected or appointed after the
18 effective date of this act, shall be two hundred fifty percent of the
19 member contribution rate for the public employees' retirement system
20 plan 2 established under this chapter less any optional employer
21 contribution made under subsection (1)(b) of this section.

22 (3) The required contribution rate for members of the public
23 employees' retirement system plan 1 employed as district court judges
24 or municipal court judges who elect to participate under section 5(1)
25 of this act, or who are newly elected or appointed after the effective
26 date of this act, shall be the contribution rate established under RCW
27 41.40.330 plus six and twenty-six one-hundredths percent of pay less
28 any optional employer contribution made under subsection (1)(b) of this
29 section.

30 **Sec. 20.** RCW 41.45.060 and 2005 c 370 s 2 are each amended to read
31 as follows:

32 (1) The state actuary shall provide actuarial valuation results
33 based on the economic assumptions and asset value smoothing technique
34 included in RCW 41.45.035 or adopted by the council under RCW 41.45.030
35 or 41.45.035.

1 (2) Not later than September 30, 2002, and every two years
2 thereafter, consistent with the economic assumptions and asset value
3 smoothing technique included in RCW 41.45.035 or adopted under RCW
4 41.45.030 or 41.45.035, the council shall adopt and may make changes
5 to:

6 (a) A basic state contribution rate for the law enforcement
7 officers' and fire fighters' retirement system plan 1;

8 (b) Basic employer contribution rates for the public employees'
9 retirement system, the teachers' retirement system, and the Washington
10 state patrol retirement system to be used in the ensuing biennial
11 period; and

12 (c) A basic employer contribution rate for the school employees'
13 retirement system and the public safety employees' retirement system
14 for funding both those systems and the public employees' retirement
15 system plan 1.

16 The optional employer contribution rates under sections 18(1)(b)
17 and 19(1)(b) of this act, for public employees' retirement system
18 members and teachers' retirement system members who participate under
19 this act, shall not be subject to adoption by the council.

20 The contribution rates adopted by the council shall be subject to
21 revision by the legislature.

22 (3) The employer and state contribution rates adopted by the
23 council shall be the level percentages of pay that are needed:

24 (a) To fully amortize the total costs of the public employees'
25 retirement system plan 1, the teachers' retirement system plan 1, and
26 the law enforcement officers' and fire fighters' retirement system plan
27 1 not later than June 30, 2024; and

28 (b) To fully fund the public employees' retirement system plans 2
29 and 3, the teachers' retirement system plans 2 and 3, the public safety
30 employees' retirement system plan 2, and the school employees'
31 retirement system plans 2 and 3 in accordance with RCW 41.45.061,
32 41.45.067, and this section.

33 (4) The aggregate actuarial cost method shall be used to calculate
34 a combined plan 2 and 3 employer contribution rate and a Washington
35 state patrol retirement system contribution rate.

36 (5) The council shall immediately notify the directors of the
37 office of financial management and department of retirement systems of

1 the state and employer contribution rates adopted. The rates shall be
2 effective for the ensuing biennial period, subject to any legislative
3 modifications.

4 (6) The director shall collect those rates adopted by the council.
5 The rates established in RCW 41.45.062, or by the council, shall be
6 subject to revision by the legislature.

7 NEW SECTION. **Sec. 21.** This act takes effect January 1, 2007.

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